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Report of the European Court of Auditors on the financial statements of the European Coal and Steel Community at 31 December 1999

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REPORT OF THE EUROPEAN COURT OF AUDITORS

on the financial statements of the European Coal and Steel Community at 31 December 1999

1. This report concerns the reliability of the accounts drawn up by the Commission in accordance with Article 45c of the Treaty establishing the European Coal and Steel Community.

2. The Court has audited the accounts and financial statements of the European Coal and Steel Community at 31 December 1999 in accordance with generally accepted auditing standards and carried out such checks as it considered necessary. By means of this audit the Court obtained a reasonable basis for the opinion expressed below.

3. In the Court's opinion, the attached financial statements (balance sheet at 31 December 1999, profit and loss account, statement of the allocation of the surplus for the financial year and notes to the financial statements), which have been drawn up in accordance with generally accepted accounting principles, give a true and fair view of the assets and financial situation of the European Coal and Steel Community at 31 December 1999 and of the result of its operations for the year then ended.

Luxembourg, 30 June 2000.

Jan O. Karlsson

President of the Court

Vitor Caldeira

Member of the Court

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**FINANCIAL STATEMENTS OF THE EUROPEAN COAL AND STEEL COMMUNITY AT 31
DECEMBER 1999**

(2000/C 281/03)

In accordance with undertakings given by the Commission on behalf of the ECSC with regard to its borrowing activities, the following financial statements, drawn up in conformity with Article 45c of the Treaty establishing the ECSC, have been published:

- the balance sheet of the European Coal and Steel Community at 31 December 1999,
- the profit and loss accounts for the year ending 31 December 1999,
- the allocation of the surplus for the year ending 31 December 1999,
- the notes relating to the financial statements at 31 December 1999.

These financial statements are accompanied by the report of the Court of Auditors, as provided for under Article 45c of the ECSC Treaty.

ECSC FINANCIAL STATEMENTS AT 31 DECEMBER 1999

Balance sheets at 31 December 1999

(Amounts in EUR) — before allocation of surplus

ASSETS

	31 December 1999	31 December 1998
Balances with central banks (note 3)	95 385	27 373
Loans and advances		
— repayable on demand	4 975 072	5 687 189
— with agreed maturity dates or periods of notice (note 4.1.)	71 316 975	400 672 394
— loans (note 4.2.)	931 643 446	1 249 393 642
Total	1 007 935 493	1 655 753 225
Loans and advances to customers (note 5)		
— loans	1 541 269 262	1 583 902 933
— levy	63 217	732 880
— fines	37 195 283	90 001 060
— credit	4 539 978	6 039 382
Total	1 583 067 740	1 680 676 255
Financial assets (note 6)		
— issued by public bodies	1 214 680 318	1 133 982 993
— issued by other borrowers	503 230 250	390 437 998
Shares and similar securities	50 318 525	34 770 301
Total	1 768 229 093	1 559 191 292
Tangible and intangible assets (note 7)	710 287	1 293 461
Other assets (note 8)	21 094 201	8 083 389
Prepayments and accrued income (note 9)	106 529 763	121 505 439
TOTAL ASSETS	4 487 661 962	5 026 530 434
Off-balance-sheet commitments (note 26)	427 969 333	372 924 076

Balance sheets at 31 December 1999

(Amounts in EUR) before allocation of surplus

LIABILITIES

	31 December 1999	31 December 1998
LIABILITIES VIS-À-VIS THIRD PARTIES		
Amounts owed to credit institutions		
— repayable on demand	—	244
— with agreed maturity dates or periods of notice	—	—
— borrowings (note 10)	1 404 681 748	1 847 546 788
Total	1 404 681 748	1 847 547 032
Debts evidenced by certificates (note 11)	1 027 547 730	958 179 659
Other liabilities by certificates (note 11)	27 764 503	29 591 303
Accruals and deferred income (note 13)	84 524 667	93 919 208
Provisions for liabilities and charges (note 14)	113 461 382	122 906 181
Commitments for the ECSC operating budget (note 15)	556 154 370	695 662 822
Total liabilities vis-à-vis third parties	3 214 134 400	3 747 806 205
NET POSITION		
Provisions for financing the ECSC operating budget (note 16)	434 735 261	476 042 442
Provisions for major exposures (note 17)	18 000 000	23 000 000
Reserves (note 18):		
— Guarantee Fund	553 000 000	530 000 000
— Special Reserve	176 055 284	176 055 284
— Former Pension Fund	72 959 662	71 285 439
Total	802 014 946	777 340 723
Value adjustment reserve	16 946 242	—
Surplus brought forward	666 841	1 195 230
Surplus for the financial year (note 19)	1 164 272	1 145 834
Net total	1 273 527 562	1 278 724 229
TOTAL LIABILITIES	4 487 661 962	5 026 530 434
Off-balance-sheet commitments (note 26)	415 913 293	497 605 519

Profit and loss account for the year ending 31 December 1999

(Amounts in EUR)

CHARGES

	Financial year 1999	Financial year 1998
Interest payable and similar charges (note 20)	179 314 809	232 061 730
Commissions payable	439 353	561 449
Net losses on financial operations		
— foreign-exchange losses	49 625	171
— losses on financial assets	3 940 390	17 752 113
— value adjustments in respect of financial assets (note 6)	29 237 056	55 704 738
Total	33 227 071	73 457 022
Administrative expenditure (note 21)	5 000 000	5 000 000
Value adjustments in respect of tangible assets (note 7)	328 378	407 994
Other operating charges (note 22)	308 312	267 708
Provisions and value adjustments for loans and advances:		
— value adjustments for loans and advances	13 479 465	32 334 370
— allocation to the provision for liabilities and charges (note 14)	2 874 287	30 102 913
Total	16 353 752	62 437 283
Total operating charges	234 971 675	374 193 186
Extraordinary charges	2 984 370	137 845
Conversion differences	—	2 735 343
Allocation to the reserve for value adjustments	16 946 242	—
Legal commitments for the financial year (note 15)	145 553 799	153 992 955
Allocation to the provisions for financing the ECSC operating budget (note 16)	34 000 000	26 000 000
Allocation to the Guarantee Fund (note 18)	23 000 000	30 000 000
Total charges	457 456 086	587 059 329
Surplus for the financial year (note 19)	1 164 272	1 145 834
TOTAL	458 620 358	588 205 163

Profit and loss account for the year ending 31 December 1999

(Amounts in EUR)

INCOME

	Financial year 1999	Financial year 1998
Interest receivable and similar income (note 23) (including interest on fixed-income securities: EUR 64 332 666 in 1999 and EUR 78 459 620 in 1998)	254 449 772	346 079 959
Net profit on financial operations		
— foreign-exchange profits	9 942	257 775
— profits on financial assets	17 405 532	12 386 190
— withdrawal of value adjustments in respect of financial assets (note 6)	0	11 882 835
Total	17 415 474	24 526 800
Withdrawal of value adjustments in respect of loans and advances and provisions:		
— withdrawal of value adjustments in respect of loans and advances	13 760 280	63 963 378
— withdrawal from the provisions for liabilities and charges (note 14)	26 131 467	—
Total	39 891 747	63 963 378
Other operating income (note 24)	455 630	2 729 291
Extraordinary income	14 166	22 262
Total operating income	312 226 789	437 321 690
Exchange-rate difference	15 556 247	
Withdrawal from the value adjustment reserve	—	313 119
Income relating to the ECSC operating budget (note 25)	104 837 322	146 570 354
Withdrawal from the provisions for major exposures (note 17)	5 000 000	4 000 000
Withdrawal from the provisions for budgetary contingencies	21 000 000	—
TOTAL INCOME	458 620 358	588 205 163

Allocation of the surplus for the year ending 31 December 1999

(Amounts in EUR)

	Financial year 1999	Financial year 1998
Surplus not allocated at 1 January	666 841	1 195 230
Surplus for the year to be allocated	1 164 272	1 145 834
Total	1 831 113	2 341 064
Allocation to the former pension fund (note 18)	1 617 659	1 674 223
Surplus not allocated at 31 December	213 454	666 841

NOTES RELATING TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 1999

(Amounts in EUR)

1. PRESENTATION OF THE FINANCIAL STATEMENTS

The European Coal and Steel Community (ECSC) was established by the Treaty of 18 April 1951. According to the Treaty, the task of the ECSC is to contribute to the economic expansion of the Member States through the establishment of a common market for coal and steel. Since the ECSC Treaty is due to expire on 23 July 2002, the rate of the ECSC levy was reduced to zero in 1998 (Commission Decision of 23 December 1997), and the ECSC's lending activity has been virtually discontinued since July 1997 (Commission Decision of 22 June 1994). Thus most of the ECSC's funds now come from the net balance obtained in the management of the various reserves and provisions.

The ECSC's financial statements at 31 December 1999 are presented in accordance with Council Directives 78/660/EEC ⁽¹⁾ and 86/635/EEC ⁽²⁾ on the annual accounts and consolidated accounts of banks and other financial institutions.

ECSC accounts are kept in the various currencies used for its financial activity. The financial statements are expressed in EUR.

The following rates have been used for converting year-end balance-sheet amounts expressed in national currency into EUR:

Euro zone			
Belgian and Luxembourg francs		40,3399	
German mark		1,95583	
Portuguese escudo		200,482	
French franc		6,55957	
Finnish markka		5,94573	
Dutch guilder		2,20371	
Irish pound		0,787564	
Italian lira		1 936,27	
Austrian schilling		13,76030	
Spanish peseta		166,386	

Non-euro zone	31 December	
	1999	1998
Danish krone	7,44330	7,44878
Swedish krona	8,56250	9,48803
Greek drachma	330,300	329,689
Pound sterling	0,621700	0,705455
Canadian dollar	1,46080	1,80613
Swiss franc	1,60510	1,60778
United States dollar	1,00460	1,16675
Japanese yen	102,730	132,800

⁽¹⁾ OJ L 222, 14.8.1978, p. 11.

⁽²⁾ OJ L 372, 31.12.1986, p. 1.

1.1. **At 31 December 1999, the various currencies listed above, together with the euro, made up the ECSC's balance sheet as follows:**

(EUR)		
CURRENCY	ASSETS	LIABILITIES
Euro	1 489 052 756	1 719 607 735
Belgian franc	81 983 657	32 551 821
German mark	529 865 635	563 913 065
Portuguese escudo	139 129 652	138 392 711
French franc	573 397 236	555 979 452
Finnish markka	707 977	0
Dutch guilder	3 589 318	2 076 280
Irish pound	457 617	0
Luxembourg franc	121 659 139	120 295 403
Italian lira	238 505 038	176 763 379
Austrian schilling	8 179 208	3 702 982
Spanish peseta	55 995 507	50 397 421
Subtotal	3 242 522 740	3 363 680 249
Danish krone	715 243	0
Greek drachma	1 220 008	1 998
Swedish krona	296 315	0
Pound sterling	857 372 107	729 899 870
Swiss franc	591 397	589 413
United States dollar	275 428 560	284 009 143
Japanese yen	109 515 592	109 481 289
Total	4 487 661 962	4 487 661 962

NOTES:

The euro has a much larger place in the ECSC's accounts than suggested by the above table.

This is explained by certain accounting operations, mainly the offsetting of accounts receivable and payable relating to currency swaps.

The offsetting of these items on the assets and liabilities sides is designed to prevent artificial inflation of the balance sheet.

This accounting operation is carried out in euro and involved a total of EUR 193 464 564 in 1999.

The real weight of the euro in the ECSC's accounts can therefore be assessed more accurately if this amount is added both to the assets and to the liabilities sides of the balance sheet.

2. **ACCOUNTING PRINCIPLES AND METHODS**

The financial statements are drawn up in accordance with generally recognised accounting principles.

Charges and income for the financial year are converted to euro at the monthly accounting rate in force on the day of the transaction.

3. BALANCES WITH CENTRAL BANKS

This item represents the ECSC's balances with the central banks of certain Member States.

4. LOANS AND ADVANCES TO CREDIT INSTITUTIONS

4.1. With agreed maturity dates or periods of notice

The breakdown of the remaining time to maturity of these operations is as follows:

	(EUR)	
	31 December	
	1999	1998
Up to three months	60 700 922	390 192 760
Three months to one year	10 616 053	10 479 634
Total	71 316 975	400 672 394

4.2. Loans

The breakdown of the remaining time to maturity of these operations is as follows:

	(EUR)	
	31 December	
	1999	1998
Up to three months	60 655 213	54 614 003
Three months to one year	250 263 601	275 119 394
One to five years	538 569 222	827 990 889
Over five years	82 155 410	91 669 356
Total	931 643 446	1 249 393 642

5. LOANS AND ADVANCES TO CUSTOMERS

5.1. Loans

The loans granted to credit institutions are shown under 'Loans and advances to credit institutions' (see note 4).

The other loans break down as follows:

	(EUR)	
	31 December	
	1999	1998
1. Loans disbursed from borrowed funds		
— amounts outstanding	1 622 783 270	1 648 424 166
— value adjustments	- 143 847 841	- 129 626 942
Subtotal	1 478 935 429	1 518 797 224
2. Loans from the special reserve and other own funds for financing subsidised housing	21 862 834	23 693 878
Interim total	1 500 798 263	1 542 491 102
The breakdown of these loans by time remaining to maturity at 31 December is as follows:		
	1999	1998
— Up to three months	41 007 561	19 462 330
— Three months to one year	63 949 913	90 966 387
— One to five years	1 015 442 411	1 074 090 693
— Over five years	524 246 220	487 598 634
3. Loans paid from the former Pension Fund to officials of the European Communities for housing construction	39 218 203	41 160 654
4. Loan repayments overdue and interest on arrears	1 252 796	251 177
Grand total	1 541 269 262	1 583 902 933

NB: Loans are generally guaranteed by Member States, banks or businesses or by mortgages.

5.2. Levy

The 1998 and 1999 levy rate was 0 %, so the claims at 31 December 1999 therefore relate to previous years.

Before value adjustment, this item amounted to EUR 6 061 793 at 31 December 1999 (EUR 7 488 192 at 31 December 1998). It comprises in particular EUR 5 281 288 subject to legal proceedings (EUR 5 958 532 at 31 December 1998) and EUR 40 833 relating to temporary deferment in respect of coal in stock (EUR 42 261 at 31 December 1998).

Payment of the levy in respect of coal in stock is temporarily deferred under a general decision taken in 1972.

5.3. Fines

This item contains the Commission's claims on companies fined in accordance with the rules set out in the Treaty.

After value adjustment it amounts to EUR 37 195 283 (EUR 90 001 060 at 31 December 1998).

This item has two main components.

A fine totalling EUR 104 364 350 that the Commission imposed on steel companies for infringing the rules on competition in the marketing of steel beams (Decision 94/215/ECSC ⁽¹⁾ of 16 February 1994). In its judgment of 11 March 1999, the Court of First Instance reduced the total fines by EUR 24 774 000 to EUR 79 590 350. EUR 50 631 350 had been paid in fines by 31 December 1999. Seven companies have lodged appeals against the judgment of the Court of First Instance.

A fine totalling EUR 27 380 000 was imposed by the Commission (Decision 98/247/ECSC ⁽²⁾ of 21 January 1998) under Article 65 of the ECSC Treaty on steel companies for concerted agreement on the formula for calculating the alloy surcharge. Payments totalling EUR 14 740 000 have been received, while two thirds of the companies affected by the decision have lodged appeals with the Court of First Instance.

5.4. **Interest subsidies to be recovered**

This item comprises claims on companies in receipt of subsidised loans which the Commission has been obliged to ask to reimburse all or part of the interest subsidy already paid.

6. **FINANCIAL ASSETS**

The ECSC's internal rules imposing the obligation to exercise due caution stipulate that portfolio investments are to be confined to securities issued by first-ranking entities. However, in 1998, exceptionally, the ECSC acquired shares and other variable-income securities from a private-sector company under an agreement to restructure the debt of a defaulting debtor.

6.1. **Valuation**

Bonds, other fixed-income securities and shares and similar securities are valued at the average purchase price or the market value obtaining at the end of the financial year, whichever is the lower.

This principle is not applied in the case of securities considered as financial fixed assets (see note 6.5.).

⁽¹⁾ OJ L 116, 6.5.1994, p. 1.

⁽²⁾ OJ L 100, 1.4.1998, p. 55.

6.2. **Composition**

Bonds and other fixed-income securities bread down as follows:

		(EUR)	
		31 December	
		1999	1998
	Value adjustments on bonds/shares and similar securities Allocation (withdrawal)		
(a) Bonds			
ISSUED BY PUBLIC BODIES			
— Gross value		1 223 352 880	1 114 016 464
— Value adjustments	29 957 417	– 31 920 764	– 1 963 347
— Net value		1 191 432 116	1 112 053 117
OWN-DEBT SECURITIES			
— Gross value		23 359 671	22 028 111
— Value adjustments	13 234	– 111 469	– 98 235
— Net value		23 248 202	21 929 876
ISSUED BY OTHER BORROWERS			
— Gross value		510 404 016	390 861 607
— Value adjustments	6 750 157	– 7 173 766	– 423 609
— Net value		503 230 250	390 437 998
TOTAL BONDS			
— Gross value		1 757 116 567	1 526 906 182
— Value adjustments	36 720 808	– 39 205 999	– 2 485 191
— Net value		1 717 910 568	1 524 420 991
(b) Shares and similar securities ⁽¹⁾			
— Gross value		98 449 511	90 385 039
— Value adjustments	– 7 483 752	– 48 130 986	– 55 614 738
— Net value		50 318 525	34 770 301
GRAND TOTAL			
— Gross value		1 855 566 078	1 617 291 221
— Value adjustments	29 237 056	– 87 336 985	– 58 099 929
— Net value		1 768 229 093	1 559 191 292

⁽¹⁾ These shares and securities were received by the ECSC on signing a plan to restructure the debt of a defaulting debtor.

6.3. Maturities in 2000

Securities in the portfolio reaching final maturity during 2000 represent the following amounts (in EUR):

— Issued by public bodies:	189 167 611
— Own-debt securities	14 076 656
— Issued by other borrowers:	167 500 363
Total:	370 744 630

6.4. Listed/unlisted securities

The securities portfolio comprises 1 690 290 303 of securities with a stock-exchange listing, the balance of 77 938 790 being unlisted securities.

6.5. Financial fixed assets

6.5.1. Financial fixed assets are defined as securities that will remain in the portfolio until their final maturity.

They comprise mainly short-term paper and own-debt securities repurchased for servicing ECSC borrowings.

6.5.2. Financial fixed assets are valued at average purchase price or redemption value, whichever is the lower.

The redemption value of these securities is less than the average purchase price by a total of 1 651 618.

6.5.3. Financial fixed assets are made up as follows (in EUR):

— Issued by public bodies:	50 068 146
— Own-debt securities:	23 359 671
— Issued by other borrowers:	0
Total	73 427 817

7. TANGIBLE AND INTANGIBLE ASSETS

(EUR)

	Date of acquisition	Acquisition price	31.12.1998 Net value	Operations during the year			31.12.1999 Net value
				Acquisitions	Net book value of disposals	Amortisation	
Tangible assets							
— Lisbon	1986 to 1993	2 670 796	815 183	—	—	224 882	590 301
— Windhoek	1992	802 172	298 294	—	254 796	43 498	0
			1 113 477	—	254 796	268 380	590 301
Intangible assets							
— Lease on Milan building	1986	879 882	179 984	—	—	59 998	119 986
Total tangible and intangible assets			1 293 461	—	254 796	328 378	710 287

The various buildings owned by the ECSC were originally leased to the European Community. The rent paid on such leases provided a return on the funds invested by the ECSC.

Under the terms of the leases, in 1994 and 1995, the Commission repaid the outstanding principal due to the ECSC with a view to transferring ownership officially from the ECSC to the European Community.

The transfer of ownership of the building in Windhoek was completed in 1999.

For the ECSC, this transaction generated a capital gain of EUR 405 036, this being the difference between the transfer price (EUR 659 832) and the net book value (EUR 254 796) at the date of transfer.

As regards the other buildings, pending the completion of the legal formalities for the transfer of ownership that are currently being conducted with the competent authorities, the advances received from the European Community feature on the liabilities side of the balance sheet for a total of EUR 2 531 228 (note 12).

8. OTHER ASSETS

	(EUR)	
	31 December	
	1999	1998
Exchange value in EUR of the difference between currency receivable and payable under currency exchange operations (swaps) ⁽¹⁾	12 068 721	—
— Portfolio taxes and VAT to be reclaimed	2 530 182	2 619 620
— Loans to officials	6 467 479	5 423 399
— Miscellaneous	27 819	40 370
Total	21 094 201	8 083 389

⁽¹⁾ See note 12.

9. PREPAYMENTS AND ACCRUED INCOME

	(EUR)	
	31 December	
	1999	1998
— Interest on loans and swaps	76 126 468	78 722 077
— Interest on deposits and securities portfolio	30 998 437	39 676 408
— Issuing costs and redemption premiums	4 743 361	6 897 774
	111 868 266	125 296 259
— Cumulative value adjustments	- 5 338 503	- 3 790 820
Total	106 529 763	121 505 439

10. AMOUNTS OWED TO CREDIT INSTITUTIONS

The remaining time to maturity on these operations is as follows:

	(EUR)	
	31 December	
	1999	1998
Repayable on demand	—	244
Up to three months	96 254 541	154 270 850
Three months to one year	293 297 086	329 368 744
One to five years	976 419 166	1 326 792 455
Over five years	38 710 955	37 114 739
Total	1 404 681 748	1 847 547 032

11. DEBTS EVIDENCED BY CERTIFICATES

No such borrowings are due to reach maturity in 2000.

12. OTHER LIABILITIES

	(EUR)	
	31 December	
	1999	1998
Exchange value in EUR of the difference between currency receivable and payable under currency exchange operations (swaps) ⁽¹⁾	—	14 945 315
Current account, ECSC operating budget	20 542 964	7 276 488
Advance payments for transfer of buildings ⁽²⁾	2 531 228	3 191 060
Other	4 690 311	4 178 440
Total	27 764 503	29 591 303

⁽¹⁾ See note 8.

⁽²⁾ In accordance with the possibility offered under Decision of 11 June 1992, in the course of 1994 and 1995 the Commission had made advance payments in respect of the transfer of the buildings leased to it by the ECSC (note 7).

13. ACCRUALS AND DEFERRED INCOME

	(EUR)	
	31 December	
	1999	1998
Interest on borrowings and credit lines	79 638 283	87 650 053
Commissions on loans	146 412	189 976
Issuing premiums	4 739 972	6 079 179
Total	84 524 667	93 919 208

14. PROVISION FOR LIABILITIES AND CHARGES

(EUR)

	31 December 1998	Operations in 1999			31 December 1999
		Allocation	Withdrawal	Exchange-rate movement	
Provisions for withholding tax to be paid	6 465 743	—	6 465 743	—	0
Provision for interest-rate risk ⁽¹⁾	68 824 067	—	24 938 502	9 271 930	53 157 495
Provision for special costs relating to banking activities ⁽²⁾	200 000	—	—	—	200 000
Provision for appeal against Decision 94/215/ECSC ⁽³⁾	39 129 309	12 468 954	—	—	51 598 263
Provision for appeal against Decision 98/247/ECSC ⁽⁴⁾	8 287 062	218 562	—	—	8 505 624
Total	122 906 181	12 687 516	31 404 245	9 271 930	113 461 382

⁽¹⁾ Following the default of one borrower, long-term fixed rate securities issued by the ECSC (i.e. with a maturity date after 2002) are no longer paired with assets items bearing an equivalent interest rate. Under the principle of caution and in view of the expiry of the ECSC Treaty in 2002, a provision has been constituted to fully cover interest-rate risks.

⁽²⁾ This provision was created to cover any legal costs and other unforeseen expenditure. The risk in question is primarily in the legal field because the ECSC has less recourse, for its operations, to national agents who bear all expenditure relating to loan operations.

⁽³⁾ This provision was created from the fines paid under Decision 94/215/ECSC of 16 February 1994 to cover the possible reimbursement of the amounts received should the Court of Justice rule in favour of the companies which have appealed against the judgment of the Court of First Instance of 11 March 1999 (note 5.3).

⁽⁴⁾ This provision was created from the fines paid under Decision 98/247/ECSC of 21 January 1998 to cover the possible reimbursement of the amounts received should the Court of First Instance rule in favour of the companies which have appealed against this Decision (note 5.3).

15. COMMITMENTS FOR THE ECSC OPERATING BUDGET

In 1999, commitments for the ECSC operating budget were as follows:

(EUR)

	Commitments at 31.12.1998	New legal commitments	Payments	Cancellations	Commitments at 31.12.1999
Redeployment	211 302 964	37 717 849	68 209 325	29 292 604	151 518 884
Research	206 641 953	83 999 950	88 413 465	7 922 086	194 306 352
Interest subsidies Article 54	2 611 922	—	439 425	49	2 172 448
Interest subsidies Article 56	127 610 253	—	10 339 497	32 095 651	85 175 105
Social measures steel industry	79 925 499	—	15 237 878	14 829 583	49 858 038
Social measures coal industry (Rechar)	67 570 231	23 836 000	17 068 232	1 214 456	73 123 543
Total	695 662 822	145 553 799	199 707 822	85 354 429	556 154 370

16. PROVISION FOR FINANCING THE ECSC OPERATING BUDGET

(EUR)

	Provision at 31.12.1998	Operations during the year		Provisions at 31.12.1999
		Withdrawal	Allocation	
Provision for budgetary contingencies ⁽¹⁾	80 000 000	21 000 000	—	59 000 000
Provision for financing future operating budgets ⁽²⁾	300 000 000	—	34 000 000	334 000 000
Impact on the result		21 000 000	34 000 000	
Provision for late-payment fines and surcharges to be paid subsequently ⁽³⁾	90 001 060	52 805 777	—	37 195 283
Provision for subsidies to be recovered ⁽³⁾	6 041 382	1 501 404	—	4 539 978
Total	476 042 442			434 735 261

⁽¹⁾ This reserve is intended to cover any differences between expenditure committed and income generated by activities during the budget period.

⁽²⁾ This provision was constituted as a precautionary measure with effect from the 1999 financial year. It was prompted by the reduction of the levy to 0 % from 1998 and the need to plan for the regular financing of future operational budgets until 2002.

⁽³⁾ Fines and interest subsidies whose repayment has been requested are considered as ECSC resources only when they have actually been paid. Fines imposed but not yet paid and interest subsidies whose repayment has been requested are therefore allocated to provisions.

17. PROVISIONS FOR MAJOR EXPOSURES

Against the background of the expiry of the ECSC Treaty in 2002 and the gradual reduction in outstanding loans, exposure is becoming increasingly concentrated on a limited number of large loans (these large exposures are defined in accordance with Directive 92/121/EEC of 21 December 1992 on the monitoring and control of large exposures).

The provision for major exposures concerns loans exceeding 25 % of the ECSC's own funds which are not covered by first-rate guarantees.

It is intended to provide cover specifically for this concentration of risk and to enable the ECSC to weather any major default.

The provision, calculated on the basis of outstanding major exposures at 31 December 1999 according to a procedure recommended by a firm of international experts, totals EUR 18 million.

18. RESERVES

(EUR)

	Reserves at 31.12.1998 after allocation	Allocation (withdrawal)	Reserves at 31.12.1999 before allocation	Allocations at 31.12.1999	Reserves at 31.12.1999 after allocation
Guarantee Fund	530 000 000	23 000 000	553 000 000	—	553 000 000
Special Reserve	176 055 284	—	176 055 284	—	176 055 284
Former Pension Fund	72 959 662	—	72 959 662	1 617 659	74 577 321
Total	779 014 946	23 000 000	802 014 946	1 617 659	803 632 605

The Guarantee Fund is intended to cover lending and borrowing operations. After allocation of EUR 23 million, the Guarantee Fund totalled EUR 553 million at 31 December 1999. This reinforcing of the Guarantee Fund is connected with the forthcoming expiry of the ECSC Treaty.

On 11 September 1996 the Commission confirmed its intention of maintaining reserves to cover 100 % of those loans outstanding after 23 July 2002 which are not guaranteed by a Member State. This means that the reserves (Guarantee Fund and provisions) must be gradually increased to approximately EUR 720 million.

In view of (a) the regular decrease in the amounts outstanding up to and after 23 July 2002 and (b) the increase in the Guarantee Fund, the solvency ratio can be expected to depart from the 14 % to 16 % range laid down during the period of continuous operation and move towards 100 %.

The ECSC's solvency ratio thus increased from 33 % at 31 December 1998 to 38 % at 31 December 1999.

The Special Reserve is used to grant loans from ECSC own funds to finance subsidised housing.

Lastly, the former Pension Fund originally represented the ECSC's total pension obligations prior to 5 March 1968. Since that date, the Member States have assumed responsibility, via the general budget, for the payment of staff pensions. This fund is used to finance housing loans for officials of the European Communities and has also been used to grant special loans to the coal and steel industries.

19. ANALYSIS OF THE RESULT FOR THE FINANCIAL YEAR

Overall ECSC performance is influenced by both the result of non-budgetary operations (lending/borrowing, investment, exchange-rate variations) and the outturn of the ECSC operating budget.

19.1. Non-budgetary operations

Result	31 December	
	1999	1998
GROSS OPERATING MARGIN BEFORE CHANGES IN PROVISIONS		
— Lending/borrowing operations	2 065 277	15 129 889
— Interest on bank accounts	6 319 306	17 797 802
— Transactions concerning portfolio securities	50 243 418	32 845 995
— Miscellaneous	12 660 996	– 2 044 464
Total	71 288 997	63 729 222
NET CHANGES IN PROVISIONS		
— Provision for liabilities and charges ⁽¹⁾	23 257 179	– 30 102 913
— Provision for major exposures ⁽²⁾	5 000 000	4 000 000
— Reserve for exchange differences ⁽³⁾	– 16 946 242	313 118
— Value adjustments in respect of loans and advances	280 815	31 629 008
Result of non-budgetary operations	82 880 749	69 568 435
Amount allocated to financing the operating budget ⁽⁴⁾	– 79 716 477	– 38 422 601
Result after deducting the net balance allocated to the operating budget	3 164 272	31 145 834

⁽¹⁾ note 14.

⁽²⁾ note 17.

⁽³⁾ During 1999, changes in exchange rates produced profits on the Danish Krone, pound sterling, Swedish krona and Japanese yen totalling EUR 16 946 242, which were offset by an allocation to the reserve for exchange differences.

⁽⁴⁾ In accordance with the change of accounting method on 31 December 1992, income received during the 1999 financial year has been allocated to financing the 1999 operating budget (net balance as in note 19.2).

19.2. Out-turn of the ECSC operating budget

	(EUR)	
	31. December	
	1999	1998
OUT-TURN OF THE BUDGET		
Expenditure		
— Administrative expenditure (note 21)	5 000 000	5 000 000
— Legal commitments (note 15)	145 553 799	153 992 955
— Financing of future operating budgets	34 000 000	26 000 000
Total	184 553 799	184 992 955
Revenue (net amounts)		
— Levy (note 25)	—	—
— Fines (note 25)	16 605 836	6 686 169
— Interest subsidies (note 25)	2 557 049	4 808 477
— Miscellaneous (note 25)	320 008	831 970
— Cancellations of legal commitments (note 25)	85 354 429	134 243 738
— Net balance for the year (note 19.1)	79 716 477	38 422 601
Total	184 553 799	184 992 955
Budget outturn	0	0

19.3. Result for the financial year

	(EUR)	
	31 December	
	1999	1998
Result from no-budgetary operations after deducting the net balance allocated to the operating budget (note 19.1)	3 164 272	31 145 834
Outturn of the budget (note 19.2)	0	0
Total	3 164 272	31 145 834
Withdrawal from provisions for financing the operating budget/ budgetary contingencies (note 16)	21 000 000	—
Allocation to the Guarantee Fund (note 18)	- 23 000 000	- 30 000 000
Result before allocation	1 164 272	1 145 834

20. INTEREST AND SIMILAR CHARGES

	(EUR)	
	31 December	
	1999	1998
Interest on loans and swaps	177 112 390	229 569 814
Bank interest	44 317	15 769
Issuing costs and redemption premiums	2 158 102	2 476 147
Total	179 314 809	232 061 730

21. ADMINISTRATIVE EXPENDITURE

The ECSC paid a lump sum of EUR 5 million to the general budget of the Commission of the European Communities to cover its administrative expenditure.

22. OTHER OPERATING CHARGES

	(EUR)	
	31 December	
	1999	1998
Borrowing costs	98 417	27 159
Swift/Reuters charges	192 031	205 013
Other	17 864	35 536
Total	308 312	267 708

23. INTEREST RECEIVED AND OTHER INCOME

	(EUR)	
	31 December	
	1999	1998
Interest on loans and swaps	179 588 983	242 206 441
Payment and redemption premiums	2 208 051	3 809 968
Bank interest	6 637 370	17 997 505
Interest on financial assets	66 015 368	82 066 045
Total	254 449 772	346 079 959

24. OTHER OPERATING INCOME

	(EUR)	
	31 December	
	1999	1998
Lapsed coupons and bonds	12 681	27 964
Other income from lending activities	—	1 744 517
Miscellaneous	442 949	956 810
Total	455 630	2 729 291

25. INCOME RELATING TO THE OPERATING BUDGET

	(EUR)	
	31 December	
	1999	1998
Levy ⁽¹⁾	—	—
Fines ⁽²⁾	16 605 836	6 686 169
Miscellaneous	320 008	831 970
Cancellation of legal commitments (note 15)	85 354 429	134 243 738
Repayment of interest subsidies notes 5.4 and 16) ⁽³⁾	2 557 049	4 808 477
Total	104 837 322	146 570 354

⁽¹⁾ The ECSC is authorised under the Treaty to impose a levy on coal and steel produced by undertakings in the Community. The levy is calculated on the basis of the average values in the Community for the various products concerned. The levy rate was 0,31 % for the years 1980 to 1990, 0,29 %, for 1991, 0,27 % for 1992, 0,25 % for 1993, 0,23 %, for 1994, 0,21 % for 1995, 0,19 % for 1996 and 0,17 % for 1997. The European Commission decided to set the levy rate for the 1998 and 1999 financial years at 0 %.

⁽²⁾ This item comprises the revenue from fines imposed by the Commission in accordance with Articles 58 and 65 of the ECSC Treaty, together with surcharges for late payment.

⁽³⁾ This item comprises the revenue from the repayments of interest subsidies which the Commission was obliged to demand.

26. OFF-BALANCE-SHEET COMMITMENTS

26.1. Commitments received

	(EUR)	
	31 December	
	1999	1998
Commitments arising from swaps		
— Notional capital commitments relating to interest-rate swaps	222 436 108	203 535 235
— Capital commitments relating to interest-rate and currency swaps	205 533 225	169 388 841
Total	427 969 333	372 924 076

26.2. Commitments given

	(EUR)	
	31 December	
	1999	1998
(a) Loans granted		
— Loans from borrowed funds signed but not yet disbursed	—	109 708 164
— Loans from own funds signed but not yet disbursed	—	—
(b) Commitments arising from swaps		
— Notional capital commitments relating to interest-rate swaps	222 436 108	203 535 235
— Capital commitments relating to interest-rate and currency swaps	193 464 504	184 334 156
c) Receipts from lapsed coupons and bonds	12 681	27 964
Total	415 913 293	497 605 519

27. CHANGES IN THE FINANCIAL SITUATION FOR THE YEAR ENDING 31 DECEMBER 1999

	(EUR million)	
	1999	1998
ORIGIN OF FUND		
Balance of profit and loss account	1,2	1,1
Items not involving a movement of funds		
— Amortisation of issuing costs and redemption premiums	2,2	2,3
— Value adjustments in respect of financial assets	29,2	43,8
— Value adjustments in respect of tangible assets	0,3	0,4
— Value adjustments in respect of loans and advances, net	15,7	- 36,8
— Decrease in 'Provision for legal commitments'	- 139,5	- 158,1
— Increase (decrease) in 'Provision for financing the ECSC operating budget'	- 41,3	34,3
— Increase (decrease) in accruals and deferred payments	- 9,4	- 27,3
— Decrease in accruals and deferred income and issuing costs/redemption premiums	11,3	41,8
— Increase (decrease) in 'Other liabilities'	- 1,8	16,8
— Increase in 'Other assets'	41,3	178,5
— Allocation to (withdrawal from) the provisions for liabilities and charges	- 9,4	35,5
— Allocation to (withdrawal from) the provisions for major exposures	- 5,0	- 4,0
— Withdrawal from the provision for changes in the euro rate	16,9	- 0,3
— Exchange-rate adjustments in respects of borrowings and loans	20,8	- 17,5
— Allocation to the Guarantee Fund/Special Reserve	23,0	30,0
Total funds	- 44,5	140,5
OTHER RESOURCES		
— Proceeds from borrowings	—	—
— Loan repayments	463,5	690,6
— Disposals of buildings	0,3	0,9
— Decreases in bank balances and securities portfolio	91,8	—
Total resources	511,1	832,0
USE OF FUNDS		
— Loan disbursements	—	23,2
— Redemption of borrowings	511,1	797,2
— Increase in bank balances and securities portfolio	—	11,6
Total uses	511,1	832,0

OUTTURN OF THE ECSC OPERATING BUDGET FOR FINANCIAL YEAR 1999

(EUR million)

Requirements			Resources		
Operations to be financed from current resources (not reimbursable)	Forecast	Outturn	Resources for the financial year	Forecast	Outturn
1. Administrative expenditure	5,0	5,0	1. Current resources		
2. Aid for redeployment (Article 56)	75,0	37,7	1.1. Yield from levy at 0,00 %	0,0	0,0
3. Aid for research (Article 55)	84,0	84,0	1.2. Net balance	80,0	79,7
3.1. Steel research	56,0	56,0	1.3. Fines and surcharges for late payment	p.m.	16,6
3.2. Coal research	28,0	28,0	1.4. Miscellaneous	5,0	2,9
4. Social measures (coal) (Article 56)	32,0	23,9	2. Cancellation for commitments	57,0	85,4
5. Provisions for financing future budgets	0,0	34,0	3. Unused resources carried over from 1998	p.m.	0,0
			4. Withdrawal from the provision for financing the ECSC operating budget	54	0,0
			5. Extraordinary resources	p.m.	0,0
Total	196,0	184,6	Total	196,0	184,6

REPORT OF THE EUROPEAN COURT OF AUDITORS

on the financial statements of the European Coal and Steel Community at 31 December 1999

1. This report concerns the reliability of the accounts drawn up by the Commission in accordance with Article 45c of the Treaty establishing the European Coal and Steel Community.
2. The Court has audited the accounts and financial statements of the European Coal and Steel Community at 31 December 1999 in accordance with generally accepted auditing standards and carried out such checks as it considered necessary. By means of this audit the Court obtained a reasonable basis for the opinion expressed below.
3. In the Court's opinion, the attached financial statements (balance sheet at 31 December 1999, profit and loss account, statement of the allocation of the surplus for the financial year and notes to the financial statements), which have been drawn up in accordance with generally accepted accounting principles, give a true and fair view of the assets and financial situation of the European Coal and Steel Community at 31 December 1999 and of the result of its operations for the year then ended.

Luxembourg, 30 June 2000.

Jan O. KARLSSON
President of the Court

Vitor CALDEIRA
Member of the Court